

April 29, 2020

## JSC NC KazMunayGas 1Q 2020 Trading Update

**Nur-Sultan, 29 April 2020** - Joint-stock (JSC) National Company (NC) KazMunayGas (“KMG” or “Company”), Kazakhstan's national vertically integrated oil and gas company, announces its operating results for the first quarter of 2020.

### Highlights for the first quarter of 2020:

- Oil and gas condensate production was stable year-on-year and amounted to 5,929 thous. tonnes;
- Oil and gas transportation segment was relatively stable at 18,517 thous. tonnes of oil and 28,320 mln m<sup>3</sup> of gas transported;
- Refining volumes at Kazakh and Romanian refineries decreased by 4.9% year-on-year to 4,660 thous. tonnes.

	1Q 2020	1Q 2019	%
Oil production, thous. tonnes	5,929	5,939	-0.2%
Gas production, mln m <sup>3</sup>	2,260	2,173	4.0%
Oil transportation, thous. tonnes	18,517	19,660	-5.8%
Gas transportation, mln m <sup>3</sup>	28,320	25,881	9.4%
Oil refining, thous. tonnes	4,660	4,901	-4.9%

*Alik Aidarbayev, CEO, comments:*

*“The COVID-19 pandemic has brought unprecedented challenges both for people of many countries, health systems and global economy as a whole. Our thoughts and thankfulness with the health, police and other workers who are the frontline soldiers against COVID-19.*

*KMG plays a key role in the national economy and as a provider of energy to industry, ensures the continuity of the production processes. Despite the current health crisis, KMG has not halted any production activities at its facilities. However, declining demand for oil caused by COVID-19 and recent OPEC+ agreement to collectively cut oil production where Kazakhstan committed to reduce crude production by 390 thous. bbl/d, may require restricting KMG production during the second quarter of 2020. KMG jointly with the Ministry of Energy are working on the scenarios and all measures will be carefully worked out by the Company and its stakeholders.*

*While we all grapple with the impact of COVID-19, KMG is focused on health and safety of employees and their families, and navigating the challenges during these unprecedented times to the best of our ability.”*

### Upstream

In the first quarter of 2020, KMG's oil and gas condensate production amounted to 5,929 thous. tonnes (489 kbopd), almost unchanged year-on-year. Natural and associated gas production increased by 4.0% year-on-year to 2,260 mln m<sup>3</sup>.

KMG's share in oil production, and natural and associated gas production at mega projects (Tengiz, Kashagan, and Karachaganak) increased by 4.6% and 5.9% year-on-year, and amounted to 2,184 thous. tonnes (191 kbopd) and 1,597 mln m<sup>3</sup>, respectively.

KMG's share in oil and gas production at Tengiz increased by 0.9% year-on-year and amounted to 1,535 thous. tonnes (135 kbopd) and 841 mln m<sup>3</sup>, respectively. The global pandemic did not affect operations at Tengiz in the first quarter of 2020, but several employees of TCO's contractor were infected with COVID-19 in mid-April. To avoid further personnel infection, TCO has developed a safety plan for Tengiz that considers construction postponement at base production units, gradual suspension of non-critical work related to the Future Growth Project and a decrease of the number of personnel in the Tengiz field.

KMG's share in oil production at Kashagan increased by 23.0% year-on-year to 365 thous. tonnes (32 kbopd). Natural and associated gas production increased by 25.2% year-on-year and amounted to 219 mln m<sup>3</sup>. The growth of oil and gas production is attributable to higher gas injection given the transfer of two wells to the injection fund, as well as the improvement of the utilization ratio at the production facilities. In the first quarter of 2020, the average gross daily production at Kashagan amounted to 384 kbopd.

KMG's share in oil production at Karachaganak increased by 5.2% year-on-year and amounted to 285 thous. tonnes (25 kbopd). Gas production amounted to 538 mln m<sup>3</sup>, up by 8.1% year-on-year. The growth of oil and gas production is associated with stable gas acceptance by Orenburg Gas Processing Plant and the planned preventive maintenance of the facilities of the Karachaganak Processing Complex (KPC) and gas-processing units (Unit 2 and Unit 3) in September-October 2019.

Oil and gas production at KMG-operated assets decreased by 2.8% year-on-year and amounted to 3,744 thous. tonnes (298 kbopd) and 663 mln m<sup>3</sup>, respectively. The decrease in production volumes at KMG-operated assets was mainly attributable to the natural decline in production levels at JV Kazgermunai LLP and JSC PetroKazakhstan Inc. by 28.4% and 22.3%, respectively, in line with the production plan.

## **Midstream**

In the first quarter of 2020, oil transportation decreased by 5.8% year-on-year and amounted to 18,517 thous. tonnes (net to KMG<sup>1</sup>).

The volume of oil transportation through the trunk pipelines decreased by 3.8% year-on-year and amounted to 16,158 thous. tonnes (net to KMG). Slight decrease is explained by the limited oil supply from CNPC Aktobemunaigas JSC and the decrease in oil supply from oil companies operating the Kumkol group of fields. The decrease was partially offset by an increase in the transportation volume of the Caspian Pipeline Consortium (CPC) by 4.7% year-on-year to 3,514 thous. tonnes (net to KMG).

Offshore oil transportation decreased by 17.4% year-on-year to 2,359 thous. tonnes. The decrease is majorly attributable to lower dispatch volumes in the Mediterranean Sea and lower shipments in Aktau – Makhachkala direction.

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<sup>1</sup> Oil transportation volume takes into account the transportation volume of each pipeline company, including the operating share of KMG. Part of the volume of oil can be transported by two or three pipeline companies, and correspondingly these volumes are counted more than once in the consolidated volume of oil transportation.

In the first quarter of 2020, gas transportation through KMG's gas pipelines increased by 9.4% year-on-year to 28,320 mln m<sup>3</sup>. The growth is mainly attributable to carrying out gas transit from Turkmenistan, higher transit volumes of Russian gas from PJSC Gazprom and higher gas transit from Uzbekistan.

In the first quarter of 2020, gas sales increased by 7.8% year-on-year to 7,802 mln m<sup>3</sup>. Exports of sales gas amounted to 2,565 mln m<sup>3</sup>, of which 76% was exported to China under the agreement dated in October 2018 on the supply of natural gas to China in the amount of up to 10 bln m<sup>3</sup>. Because of the pandemic in the first quarter of 2020, gas exports to China were below the planned volumes, but 10% higher year-on-year.

## Trading

The sales volume of KMG's own produced oil and gas condensate increased slightly in the first quarter of 2020 year-on-year and amounted to 5,922 thous. tonnes, of which 69% was exported.

In the first quarter of 2020, domestic supply of own produced oil and gas condensate amounted to 1,826 thous. tonnes, including the crude oil supply from KMG-operated assets (JSC OzenMunayGas, JSC EmbaMunayGas, and Kazakhturkmunay LLP) in the amount of 1,011 thous. tonnes to Atyrau and Pavlodar refineries for further oil refining and sale of oil products.

## Downstream

The global pandemic did not significantly affect KMG's refining sector in the first quarter of 2020. However, quarantine measures in Kazakhstan's major cities have resulted in a decrease in energy consumption, and has had an adverse effect on the refineries' operations. Refineries continue to operate; however, to avoid oversupply, both Pavlodar and Shymkent refineries are operating at minimal balanced capacity. Starting from mid-March, Kazakhstani refineries' production has been reduced by around 13%.

In the first quarter of 2020, decrease in Romanian refining volumes by 17.7% was partially offset by an increase at Kazakh refineries, reflecting slight downtrend in overall refining volumes to 4,660 thous. tonnes:

- Refining volumes of Kazakh refineries (net to KMG) slightly increased and amounted to 3,348 thous. tonnes. The growth was at Atyrau refinery to balance production of oil products in the country due to declining volumes at Pavlodar and Shymkent refineries. A slight decrease at Pavlodar and Shymkent refineries was observed on the back of oil quality issues at CNPC AktobeMunaiGas in January and quarantine measures in Kazakhstan's major cities, leading to lower oil products consumption;
- Refining at KMG International refineries (Petromidia, Vega) decreased by 17.7% year-on-year to 1,312 thous. tonnes as a result of a production shutdown at Petromidia refinery related to scheduled overhaul from March 13 to April 30, 2020.

In the first quarter of 2020, production of oil products at Kazakh and Romanian refineries decreased by 8.0% year-on-year to 4,231 thous. tonnes:

- Production of oil products at Kazakh refineries (net to KMG) decreased by 2.8% year-on-year to 2,954 thous. tonnes mainly due to refusal of the CNPC AktobeMunaiGas oil for quality issues in January and quarantine measures in Kazakhstan's major cities;
- Oil products production at KMG International refineries (Petromidia, Vega) in Romania decreased by 18.1% year-on-year to 1,276 thous. tonnes as a result of production shutdown at Petromidia refinery due to scheduled overhaul.

As throughout the energy sector, it is not appropriate in present circumstances to offer an outlook, or give forecasts. However, the Company is closely monitoring developments, and has contingency plans and the full range of reaction scenarios to the unprecedented changes in demand, which will affect the second quarter of 2020 results. The Company will inform stakeholders about new circumstances or measures taken, as appropriate.

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**About JSC National Company KazMunayGas:** JSC National Company KazMunayGas (KMG) is Kazakhstan's leading vertically integrated oil and gas company, operating assets across the entire production cycle from the exploration and production of hydrocarbons to transportation, refining and specialized services. Established in 2002, the company represents Kazakhstan's interests in the national oil and gas industry.

KMG's significant assets are as follows:

**Upstream:** Tengizchevroil (TCO) - 20%, Karachaganak (KPO) - 10%, Kashagan – 8,44%<sup>2</sup>, Ozenmunaigas (OMG) - 100%, Mangistaumunaigaz (MMG) - 50%, Embamunaigaz (EMG) - 100%, Kazgermunai (KGM) - 50%, Petrokazakhstan Inc (PKI) - 33%, Karazhanbasmunai (KBM) - 50%, KazakhOil Aktobe (KOA) - 50%, KazakhTurkmunai (KTM) - 100%, KazMunayTeniz - 100%.

**Midstream:** KazTransOil - 90%, Kazakhstan China Pipeline (KCP) - 50%, Munai Tas - 51%, Batumi Oil Terminal - 100%, CPC - 20.75%<sup>3</sup>, Kazmortransflot - 100%, KazTransGas - 100%, ICA - 100%, AGP - 50%, KTG Aimak - 100%, BSGP - 50%, KazRosGas - 50%.

**Downstream:** Pavlodar refinery - 100%, Atyrau refinery – 99,53%, Shymkent refinery– 49,72%, KMG International - 100%, Petromidia – 54,63%, Vega – 54,63%.

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<sup>2</sup> In October 2015, KMG sold 50% of its shares in Kashagan to Samruk-Kazyna with a call option to buy back all part of shares at any time between 2020 and 2022. KMG and Samruk-Kazyna own 16.88% in total.

<sup>3</sup> 19% through the KMG itself and 1.75% through Kazakhstan Pipeline Ventures (KPV).